

Table of Contents

General

2003 Budget Highlights.....	1 - 3
Organization of the Department of Veterans Affairs	1 - 25
Veterans Population	1 - 26
Estimates of Combat Theatre Obligations.....	1 - 27
Appropriation Structure	1 - 28



General

2003 Budget Highlights

Summary

- The 2003 President's budget for the Department of Veterans Affairs (VA) provides approximately \$56.6 billion for veterans' benefits and services: \$26.4 billion for discretionary programs (without medical care collections) and \$30.1 billion for entitlements. The 2003 budget includes three significant new initiatives: 1) VA is proposing a \$1,500 medical deductible for Priority 7 (higher-income and non-disabled) veterans to assure adequate funding and high quality of health care to core veterans (service disabled and lower income); 2) \$197 million for a new competitive grant program that replaces programs currently administered by the Department of Labor (DOL), and 3) \$892 million to fund certain Federal civilian retiree benefits on an accrual funded basis as proposed in the Administration's Managerial Flexibility Act of 2001. The request for discretionary programs provides \$1.5 billion, or 6.3 percent, over last year's enacted funding level in existing programs. By including the additional funding for new initiatives, the total discretionary increase is \$2.6 billion, or 11 percent. With an expected increase in medical care collections of approximately \$400 million, this brings the total discretionary increase to \$3.1 billion, or 12.2 percent.
- The 2003 budget will allow VA to address its three highest priorities:
 - Improve the timeliness and accuracy of claims processing
 - Ensure more veterans receive high-quality health care
 - Maintain veterans' cemeteries as national shrines

Highlights by Major Component

- **Medical Care.** The 2003 President's budget includes the Medical Care program with total budgetary resources of \$25.0 billion, including \$1.5 billion in collections (\$1,084 million in medical care collections, \$365 million in Health

Services Improvement Funds, and \$40 million in reimbursements from the Extended Care Revolving Fund). VA is requesting \$23.5 billion for the direct Medical Care appropriation, an increase of \$2.2 billion in direct appropriation over the 2002 level. This increase will provide medical care for nearly 4.9 million unique patients—focusing on VA’s traditional core patients (service-disabled and lower-income) by implementing an annual \$1,500 deductible for Priority 7 veterans (higher-income).

- There is a medical programmatic increase of \$1.9 billion to support our focus on community-based health care to the core population, access and service delivery to all veterans, continued expansion of non-institutional long-term care, pharmaceutical support, prosthetics, CHAMPVA for Life, and information technology. This level of commitment supports VA’s emphasis on providing quality health care to all veterans that have served our Nation. The 2003 President’s budget funds the CSRS and FEHB retirement accrual as proposed in the Administration’s Managerial Flexibility Act of 2001, which increases the budget by \$793 million. An increase of \$969 million is required for payroll and inflation changes over the 2002 level to support the medical care program.
- VA has experienced unprecedented growth in the medical system workload over the past few years. The annual growth rate in patients treated for 2001 and the first quarter of 2002 has been over 11 percent per year, more than twice the prior years’ experience. This budget proposes a policy to increase the cost share for higher-income veterans to address the funding of high-quality health care for our Nation’s veterans. Priority 7 veterans have always been required under law to contribute to the cost of their care. The proposal included in the budget requires these veterans be assessed the deductible for their inpatient and outpatient care at a rate of 45 percent of the reasonable charges, which equals VA’s cost to provide this care, up to a \$1,500 annual ceiling. This proposal will provide an offset of \$1.1 billion to the Medical Care appropriation to ensure that all veterans who deserve and desire quality health care can be served.
- The budget request includes management savings of over \$316 million that will partially offset the overall cost of health care with specific actions. These actions include improved standardization policies that are expected to facilitate best-value product pricing through volume purchasing, and should facilitate the delivery of high-quality health care, pharmaceuticals and equipment, and other capital purchases.
- VA’s cooperative efforts with the Department of Defense (DoD) continue to improve the health care delivery services of both agencies in support of the 2002 President’s Management Agenda. Over the past year, the Departments

have undertaken unprecedented efforts to improve cooperation and sharing in a variety of areas through a reinvigorated VA and DoD Executive Council. To address some of the remaining challenges, the Departments have identified four high-priority items for improved coordination: veteran enrollment, computerized patient records, cooperation on air transportation of patients, and facility sharing instead of construction.

- **Veterans Benefits Administration.** The VBA budget request provides \$1.2 billion and 13,139 FTE, which is an increase of \$94.1 million in enacted total discretionary funding and 125 FTE over the 2002 level. This increase reflects \$53.9 million in discretionary budget authority for Civil Service Retirement System (CSRS) and Federal Employee Health Benefits (FEHB) accruals that the Administration has proposed through legislation that would fund these accrual costs in each Department rather than through the central trust fund. Absent the accrual funding for CSRS and FEHB, VBA's discretionary funding would increase \$40.2 million over 2002. This budget contains \$72.5 million in total obligations for new and on-going initiatives designed to provide better customer service through improved accuracy and access for benefits to the veteran community.
- Improving the timeliness and quality of claims processing is a Presidential priority. The Secretary of VA established a claims processing task force late in 2001 to recommend changes to processes and practices that would result in immediate improvements in the time it takes to process claims. The results of that task force, as well as implementation plans, have been presented to and approved by the Secretary. VA has already begun implementation of these recommendations and will continue to put others in place as soon as possible.
- The Secretary of VA has set a goal of reaching 100 days to process rating-related claims by the summer of 2003. While the annual average days for all rating-related actions is projected to be 165 for 2003, VBA expects to achieve the 100 days by the last quarter of the year. A major effort has been launched to resolve 81,000 of the oldest Compensation and pensions (C&P) claims, those that have been pending for more than a year. A key element of that effort involves a special team at the Cleveland Regional Office that will tackle many of these oldest claims over an 18-month period. The team became fully operational in November 2001. Its first priority will be the long pending claims of veterans who are 70 years of age and older. VBA will also be using nine Resource Centers, designed to add processing capacity to each area of the country, to contribute to the goal of resolving these oldest claims.
- This budget also provides for additional staff and resources to continue the development and fielding of information technology tools to support improved claims processing timeliness and accuracy. Consolidation of

pension maintenance at three sites will allow VBA to free up FTE to focus on ratings of compensation claims. Over the last several years, VBA has developed and implemented major initiatives, established cooperative ventures with other agencies, and used technology and training to address accuracy and timeliness. This budget continues to focus on initiatives in these high payoff areas.

- Another key policy issue addressed in this budget is the mandate to ensure that Montgomery GI Bill (MGIB) education benefits provide meaningful readjustment assistance and aid in the recruitment and retention of our Armed Forces. The MGIB is intended to be an incentive that encourages this nation's young men and women to enter military service and provides an earned benefit for honorable and faithful service. Recent legislation has improved this benefit by addressing such things as increasing the monthly benefit; providing for usage of the MGIB for licensing and certification; accelerating payment to those who pursue high-cost technology courses; and, expanding the definition of "educational institution." VA's emphasis is continuing on improving accuracy and timeliness for education claims and improving the blocked call rates as well as increased access through Web automated procedures.
- **Medical Research.** The \$409 million appropriation request is an increase of \$38 million above the 2002 enacted level (including accrual). This funding level represents about one-third of the total resources available to VA for medical research and is based on the assumption that VA should increase its share of non-appropriated research funds. The requested level will allow continuation of research projects to improve the medical care and health of veterans.
- **National Cemetery Administration.** The budget requests \$138 million, or \$17 million above the 2002 enacted level, to operate the National Cemetery Administration (NCA). This increased level will reinforce our National Shrine commitment by implementing extensive renovation of the grounds, gravesites and grave-markers at cemeteries where the most need exists. The request includes funding for establishing new cemeteries at Ft. Sill, OK and near Atlanta, GA, along with preparation for interment operations on fast-track parcels in new cemeteries in the vicinities of Miami, FL, and Pittsburgh, PA.
- **Construction.** New budget authority of \$536 million is requested for the Department's construction programs. The major construction request includes funding for four seismic projects (two in Palo Alto, one in San Francisco, and one in West Los Angeles, CA); development of two new national cemeteries at

the vicinity of Pittsburgh, PA and Miami, FL, along with columbaria and cemetery improvements at Willamette, OR; and design and construction funding for VA's multi-year health care infrastructure realignment under the Capital Asset Realignment for Enhanced Services (CARES) initiative. The budget also provides resources for minor construction (including CARES), and grants for State veteran's nursing homes and cemeteries.

- **Departmental Information Technology (IT) Oversight:** As VA moves forward with implementation of the One-VA Enterprise Architecture, management of information technology resources will continue to evolve and mature. Strong programs are being developed for Cyber Security, Workforce Development, Performance Metrics and Project Management Oversight. VA will bring enterprise-wide discipline and integration of our telecommunications capability to increase its security, performance, and value to VA and its customers. Command and control capabilities will be established and exercised to support the Department in times of emergency. Electronic government will be expanded and internet capabilities will be enhanced to improve the delivery of services and the sharing of knowledge for the benefit of the veteran. All of these efforts will focus on meeting the objectives of the President's Management Agenda.
- **New Funding Initiative:** The VA budget includes \$892 million of funding for new costs associated with fully funding current employees' annual accruing liability of future retirement income and health benefits as proposed government-wide in the Administration's Managerial Flexibility Act of 2001, transmitted October 15, 2001, to Congress.
- **Other Presidential Initiatives:** The Administration is proposing language in the DoD General Provisions that would ensure that all military retirees annually choose either VA or DoD as their health care provider. This will enhance quality and continuity of care, and prevent duplication of services and costs. Retirees selecting VA would still have their dependents enrolled in DoD, since VA does not provide health care for dependents of veterans.

Performance Plan

- VA directly touches the lives of millions of veterans every day through its health care, benefits, and burial programs. The 2003 Performance Plan describes how VA will fulfill its obligations to provide high-quality service, to deliver benefits to veterans in a way that satisfies the American public's commitment to honor veterans' service, and to compensate veterans for their sacrifices.

- The 2003 Performance Plan presents the performance targets VA is striving to achieve as a means of bringing us closer to accomplishing our strategic goals and objectives. This Plan supports the Secretary's priorities:
 - Provide specialized health care services;
 - Improve the quality and timeliness of claims processing;
 - Focus vocational rehabilitation resources;
 - Provide meaningful readjustment assistance;
 - Meet community standards for home loan guaranty benefits;
 - Provide high-quality health care;
 - Provide timely access to health care;
 - Refocus medical care on higher-priority veterans;
 - Maintain high level of service to insurance policy holders;
 - Ensure the burial needs of veterans and their eligible family members are met;
 - Ensure graves in national cemeteries are marked in a timely manner;
 - Focus medical research programs;
 - Improve response in event of a national emergency; and
 - Maintain national cemeteries as shrines.
- By the end of 2003, we will improve the timeliness of claims processing so we complete cases in an average of 100 days, while continuing to improve the quality of our decision-making. Veterans will be able to schedule primary care and specialty appointments at VA health care facilities within 30 days 89 percent of the time and 87 percent of the time, respectively, and waiting times for scheduled appointments will be less than 20 minutes 72 percent of the time. Over 76 percent of veterans will have reasonable access to a burial option at a national cemetery or state veterans cemetery. The overall appearance of national cemeteries will provide a dignified and respectful setting for deceased veterans and for those who visit these national shrines.
- Each year, we evaluate performance from the previous year and set new annual performance targets that demonstrate our commitment to continuous improvement. In many instances, the performance improvements we project from one year to the next, as well as the performance advancements we actually achieve, are dramatic. In other cases, the improvement is necessarily more limited. The degree of improvement is due to a variety of factors, such as the availability of resources for each program, the timing associated with implementing initiatives and new strategies, and the priorities established by the Department. Nevertheless, we continuously strive to improve our performance in all programs every year.

VA's Key Performance Goals for 2003

<u>Performance Measure</u>	1999 Actual	2000 Actual	2001 Actual	2002 Est.	2003 Plan	Strategic Target
Strategic Goal 1: Restore the capability of disabled veterans to the greatest extent possible and improve the quality of their lives and that of their families						
Proportion of discharges from SCI center bed sections to non-institutional settings	93%	97%	98%	95%	95%	95%
Compensation and pension rating-related actions - average days to process	166	173	181	208	165*	74
Note: The Secretary has set an intermediate goal of 100 days during the summer of 2003.						
National accuracy rate for core rating work	68%	59%	78%	85%	88%	96%
Vocational Rehabilitation and Employment Rehabilitation rate	53%	65%	65%	67%	68%	70%
Strategic Goal 2: Ensure a smooth transition for veterans from active military service to civilian life						
Montgomery GI Bill usage rate	56%	55%	56%	58%	61%	70%
Average days to complete:						
Original education claims	26	36	50	38	30	10
Supplemental education claims	16	22	24	21	17	7
Foreclosure avoidance through serving (FATS) ratio	38%	30%	40%	39%	40%	40%
Strategic Goal 3: Honor and serve veterans in life and memorialize them in death for their sacrifices on behalf of the Nation						
Chronic Disease Care Index II	N/A	N/A	77%	78%	79%	82%
Prevention Index II	N/A	N/A	80%	80%	80%	85%
Percent of patients rating VA health care service as very good or excellent:						
<u>Inpatient</u>	65%	66%	64%	66%	68%	72%
<u>Outpatient</u>	65%	64%	65%	67%	69%	72%
Satisfaction, functional outcomes, healthy behaviors, and perceptions of safety in hospital and clinic settings	N/A	N/A	N/A	N/A	TBD	TBD
Percent of primary care appointments scheduled within 30 days of desired date	N/A	N/A	87%	88%	89%	90%
Percent of specialist appointments scheduled within 30 days of desired date	N/A	N/A	84%	85%	87%	90%
Note: Data on the percent of patients who are able to schedule a non-urgent appointment with their primary care provider within 30 days, or with a specialist within 30 days, exclude new enrollees who are pending scheduling of their first appointment.						
Percent of patients who report being seen within 20 minutes of their scheduled appointment at VA health care facilities	68%	70%	72%	70%	72%	90%

<u>Performance Measure</u>	1999 Actual	2000 Actual	2001 Actual	2002 Est.	2003 Plan	Strategic Target
Bar Code Medication Administration (BCMA) contingency plan and conduct test of plans annually	N/A	N/A	N/A	Baseline	100%	100%
Balanced Scorecard: Quality-Access-Satisfaction-Cost	88%	90%	99%	101%	103%	103%
Average days to process insurance disbursements	3.2	3.2	2.8	3.2	3.2	3.0
Percent of veterans served by a burial option within a reasonable distance (75 miles) of their residence	67.0%	72.6%	72.6%	73.9%	76.2%	85.0%
Percent of respondents who rate the quality of service provided by the national cemeteries as excellent	84%	88%	92%	93%	96%	100%
Percent of graves in national cemeteries marked within 60 days of interment	N/A	N/A	N/A	N/A	TBD	TBD
Strategic Goal 4: Contribute to the public health, emergency preparedness, socioeconomic well being and history of the Nation						
Institutional Review Board compliance with National Committee for Quality Assurance accreditation and maintenance, as appropriate, of AAALAC or NRC accreditation or certification	N/A	N/A	0%	10%	40%	100%
Percent of respondents who rate national cemetery appearance as excellent	79%	82%	96%	96%	98%	100%

Summary by Programs

Medical Programs

- The 2003 President's budget includes the Medical Care program with total budgetary resources of \$25.0 billion, including \$1.5 billion in collections (\$1,084 million in medical care collections, \$365 million in Health Services Improvement Funds, and \$40 million in reimbursements from the Extended Care Revolving Fund). VA is requesting \$23.5 billion for the direct Medical Care appropriation, an increase of \$2.2 billion in direct appropriation over the 2002 level.
- VA has experienced unprecedented growth in the medical system workload over the past few years. The annual growth rate in patients treated for 2001 and the first quarter of 2002 has been over 11 percent per year, more than twice the prior years' experience. This budget proposes a policy to cost share with higher-income veterans to address the funding of high-quality health care for our Nation's core veterans.

- Although the overall veteran population will continue to decline over the next 10 years, the increase in the older age groups is increasing the demand for health care (e.g., the age group 85 and over more than doubles from 2000 to 2010). The history of VA medical service provides insight into whom we treat and why we must propose a significant policy shift.
- The modern VA health care system began during World War I with establishment of hospitals to treat and rehabilitate veterans with service-connected disabilities. A second role was added in 1924 with the addition of hospital care for lower-income veterans. Higher-income veterans were added on a resource-available basis in 1986 (with the provision that these veterans pay a portion of their care), and comprised about 2 percent of veteran patients. The Eligibility Reform Act of 1996 prioritized all veterans with higher-income veterans being in the lowest priority level (Priority Level 7). The law allowed these veterans to enroll if resources permitted but did not discontinue their cost-sharing obligation. As a result, Priority 7 veterans in the VA health care system have grown to 33 percent of enrollees and are expected to increase to 42 percent by 2010. The increased cost of health care and the projected large increase in Priority 7 veterans requires a reassessment of the appropriate level of cost-sharing to focus the appropriation on the core veterans.
- VA's request is comprised of four major resource initiatives to accommodate its medical workload growth and ensure quality of care to our veterans. First, VA is proposing to establish a \$1,500 annual deductible for Priority level 7 veterans (higher-income). This legislative proposal is in response to the significant growth in enrollment over the last three years, as well as anticipated future growth. The objective is to have Priority 7 veterans pay a larger portion of their health care. Coupled with the recent increase in pharmacy co-payments and decrease in outpatient co-payments, this proposal makes certain that VA's health care system is able to continue providing high-quality health care to VHA's core population—service-disabled and low-income veterans. Veterans will be assessed the deductible for their inpatient and outpatient care at a rate of 45 percent of the reasonable charges, which equals VA's cost to provide this care, up to a \$1,500 annual ceiling. This legislative proposal is included in Section 423 of the General Provisions of the appropriation request. This proposal will provide an offset of \$1.1 billion to the Medical Care appropriation to ensure that all veterans who deserve quality health care can be served.
- Second, VA is requesting \$1.9 billion in additional resources to care for nearly 4.9 million unique patients, an increase of 156,374, or 3.3 percent, over the current 2002 estimate. Through the Health Care Demand Initiative, VA will deliver community-based health care to veterans, which are requiring more health services as the population ages. These major health services include

pharmaceuticals, access and service delivery, long-term care, prosthetics, CHAMPVA for Life, and information technology. Management savings of over \$316 million will partially offset the overall cost of the Health Care Demand Initiative with specific actions. These actions include improved standardization policies that are expected to facilitate best-value product pricing through volume purchasing and should facilitate the delivery of high-quality health care, pharmaceuticals and equipment, and other capital purchases.

- Third, the President made the decision to keep veterans' enrollment open for all veteran health care in 2002, preserving VA's long history of providing timely, high-quality health care to all eligible veterans. If all projections, funding levels, and the new deductible are realized, VA anticipates continued open enrollment to all veterans in 2003.
- Fourth, the budget fully funds the CSRS and FEHB retirement accrual as proposed in the Administration's Managerial Flexibility Act of 2001, which increases the budget by \$793 million. An increase of \$969 million is required for payroll and inflation changes over the 2002 level to support the medical care program.
- VA's cooperative efforts with DoD continue to improve the health care delivery services of both agencies in support of the 2002 President's Management Agenda. Over the past year, the Departments have undertaken unprecedented efforts to improve cooperation and sharing in a variety of areas through a reinvigorated VA and DoD Executive Council. To address some of the remaining challenges, the Departments have identified four high-priority items for improved coordination: veteran enrollment, computerized patient records, cooperation on air transportation of patients, and facility sharing instead of construction.
- For Medical and Prosthetic Research, a total of \$409 million and 3,167 FTE will provide 28 percent of the \$1.5 billion total research funding and support over 2,780 high-priority research projects focused in Designated Research Areas (DRAs). The other funding support comes from Medical Care, \$401 million, and other federal and private medical research organizations such as the Department of Defense and National Institute of Health. The \$409 million appropriation request is an increase of \$38 million, or 10.2 percent, above the 2002 level. This increase is comprised of \$15 million to fund the CSRS and FEHB retirement accrual, which was shifted from central accounts to the program accounts, \$23.4 million for payroll, inflation, and new research projects a 6.2 percent increase in resources. This level of funding will allow us to maintain research centers in the areas of Gulf War illnesses, diabetes, heart disease, chronic viral diseases (e.g., HIV/AIDS), Parkinson's disease, spinal

cord injury, prostate cancer, depression, environmental hazards, and women's issues, as well as rehabilitation and Health Services Research and Development (HSR&D) field programs. VA will continue to seek to increase non-appropriated research funding from the private and public sectors.

Benefits Programs

- The Administration proposes to provide a cost-of-living (COLA), based on the change in the Consumer Price Index, to all compensation beneficiaries, including dependency and indemnity compensation (DIC) for spouses and children. It is currently estimated at 1.8 percent. This is the same as the COLA that will be provided, under current law, to veterans pension and Social Security recipients. The increase would be effective December 1, 2002, and would cost an estimated \$278.9 million during 2003. Funding for this COLA is reflected in the Compensation and pensions obligations in the 2003 budget.
- This budget again proposes language for VA's entitlement appropriations that would provide for "such sums as may be necessary." This change to appropriation language would eliminate any potential funding shortages. Specific caseload and benefits estimates may be found under each heading later in this volume.

The Administration has proposed the following legislation:

- **Authority to verify income of beneficiaries with the IRS** - This provision would permanently extend VA's current authority to match income records of pension beneficiaries with the IRS. The VA pension benefit is a means-tested benefit. The amount of pension benefits received by a veteran or survivor is reduced when income exceeds certain limitations. Savings result from identifying inaccurate income reported by veterans resulting in reduced pension and parents' DIC benefit payments as well as medical care recipients.
- **Establish a New Grant Program** - The Administration will transmit legislation that will establish a new competitive grant program in the Department of Veterans Affairs, subject to Congressional authorization, which will enable the Department to assist States, in establishing, expanding, or improving employment and training services for veterans. The Department will set clear employment-based outcome measures for these grants and judge grantee performance on this basis. The emphasis will be on serving those veterans who most need employment assistance, including disabled or homeless veterans.

Departmental Administration

Veterans Benefits Administration

- This 2003 Business Plan will move the agency toward achieving improved service delivery in many areas while mitigating the effects of increased workload from recently enacted legislation and regulations affecting both the Compensation & Pension (C&P) and Education programs. In order that we might better meet the needs of our customers and stakeholders, our request includes \$72.5 million in obligations for new and ongoing initiatives that target performance improvements in such areas as claims processing timeliness and accuracy, and customer satisfaction.
- VBA continues building the foundation for a sound future. This foundation is built on investments in: (1) Benefit delivery; (2) Human resources; (3) Performance measurement; (4) Balanced scorecard; (5) Data Integrity; (6) Infrastructure improvements; and (7) Financial management.
- VBA has made substantial improvements to the C&P program. Over the last three years, VA has made substantial progress in executing their strategy to restore a professional approach to work by transforming a production line process into a team-based case managed organization. As a result of these and many other initiatives, notably the additional Veterans Service Representatives (VSR) and Rating Veterans Service Representatives (RVSR) positions, we are on the path to process rating-related actions in a twelve-month average of 165 days. We will meet our goal of 100 days during the last quarter of 2003.
- Efforts to improve service to veterans include decreasing blocked call rates in all areas of veterans' benefits. Improved access through the Internet has afforded new communication tools to both veterans and VBA, such as on-line application forms, Insurance self-service, and real estate advertising. Training initiatives, including Training and Performance Support Systems (TPSS) and computer-based training, have provided better learning tools for employees. Financial system and information technology enhancements, Pension Consolidation, and C&P Evaluation Redesign (CAPER) will further improve business processes.

Compensation & Pensions

In 2003, the following initiatives will be requested in the C&P program:

- Virtual VA -- The Virtual VA Project replaces the current paper based claims folder with electronic images and data that can be accessed and transferred electronically through a web-based solution. It will provide a long-term solution to improving the quality of claims processing. Virtual VA is being developed under a beta test type approach in order to further validate the complete functionality of available technology by establishing a point of presence in a specified area. The Philadelphia Pension Maintenance Center will serve as the test site. Once the application has been tested successfully, it will be rolled out to the Pension Maintenance Centers in Milwaukee and St. Paul. With successful implementation of Virtual VA at the pension sites, imaging integration will then be developed for other claims processing areas under a long-term plan. A total of \$6 million is being requested for this initiative.
- Pension Activity Centers -- VBA is requesting \$6.7 million in 2003 for an initiative to consolidate all existing pension programs into three pension centers. Consolidation into these pension centers will begin with two paper-based environments and one imaged environment. Migration to a fully paperless environment for all sites is planned over two years.
- Training and Performance Support Systems (TPSS) -- This multi-year initiative requires \$5.4 million in 2003 to continue the implementation of four comprehensive training and performance support systems for the core service delivery positions of the reengineered C&P environment. The four core positions are: Basic Rating Specialist; VSR; Journey Level Rating Specialists to include Decision Review Officers; and Field Examiners.
- CAPER (C&P Evaluation Redesign) -- This initiative will involve the analysis and development of a more consistent exam request process. Additionally, CAPER will ensure a system that allows an examiner's findings to be consistent with the rating schedule. VBA is requesting \$2 million for CAPER.
- SIPA -- The Systematic Individual Performance Assessment is designed to bring performance assessment and accountability to the journey-level employee. This will combat internal vulnerabilities which could lead to fraud. Funding in the amount of \$3.5 million is requested for 64 FTE for this program.
- Benefit Payment Replacement System -- VBA has been pursuing an incremental strategy to complete the development of the C&P Payment system. The strategy provides for a sequential application effort, specifically, the incremental development and integration of functional modules or components. This budget includes \$3.15 million for this effort in 2003.

- Electronic Data Interchange (EDI) -- \$530 thousand is being requested to expand the existing Veterans On-Line Application program (VONAPP). VONAPP allows veterans and other claimants to apply for benefits over the internet. This initiative will allow information collected through VONAPP to be reconciled with corporate data base records.

Education

- The Education program is requesting \$6.2 million for the Education Expert System (TEES), which is the continued development of the Electronic Data Interchange and Electronic Funds Transfer (EDI/EFT) initiative. VBA has implemented a prototype expert system, which is able to process selected enrollment information for the Montgomery GI Bill Active Duty claimants whose data are received electronically from their education institution. This initiative will expand on the prototype to include the development of a comprehensive rules-based system to automate the adjudication of claims and the development of a new application to receive enrollment certifications from schools.

Housing Program

- VBA is requesting \$500 thousand for a Records Management initiative for Housing. This initiative will reduce the need for reliance on hard copy formats and increase the availability of electronic information.
- The funding levels in this budget assume the elimination of the VA's Vendee Loan program. VA acquires properties after the foreclosure of guaranteed loans. Properties are then sold either for cash or VA finances the sale. The latter extends the Government's liability for many years. By selling all properties on a cash basis, future expenses due to foreclosure of vendee loans will be eliminated. The budget assumes this action will be accomplished administratively, as a result, the budget request includes a savings of 22 FTE and \$1.4 million in discretionary funding in 2003.
- VBA is in the last stages of conducting an A-76 study to determine whether it would be more cost effective to keep the property management function in-house, or to contract out for this activity.

Vocational Rehabilitation and Employment

- The Vocational Rehabilitation and Employment (VR&E) program has identified several areas to strengthen in order to enhance service. VBA is requesting \$1.7 million for WINRS, which is an information management system that has the functionality for measuring program outcomes, activity

based costing and case management. The budget also includes \$2.2 million for the Access initiative, which focuses on using information technology to aid case managers in performing their jobs regardless of their location and improving communication between veterans and case managers.

Insurance Program

- VBA's Insurance Center provides veterans and their dependents a full range of insurance services for policies administered by VA. The insurance program is undertaking the following initiatives in this budget: (1) computer based training (\$440 thousand); (2) Paperless Processing (\$965 thousand); and (3) Expanded Outreach (\$260 thousand).
- Administrative expenses to support the insurance program are made available from excess earnings from the National Service Life Insurance, United States Government Life Insurance and Veterans Special Life Insurance programs.

VBA-Wide Initiatives

VBA also requests funds for initiatives that affect all business lines. Included in the budget are the following initiatives:

- 1) One VA Telephone Access initiative -- \$10.8 million. Under this project, a Virtual Information Center (VIC) forms a single telecommunications network among several regional offices. VIC technology also allows VBA to answer calls at any place and any time without complex call routing reconfigurations and with fewer FTE. Also included in this initiative is support for upgrading the national Automated Resonse System (NARS) to allow improved call flow design, increased Interactive Voice Response (IVR) and customer survey functionality.
- 2) Security & Infrastructure Protection (SIPO) - \$2.9 million. This initiative addresses three separate aspects of the VBA security program: (1) increased oversight at the SIPO office located at Central Office; (2) Technical Security at the Hines Information Technology Center; and (3) VBA Internet Security.
- 3) Configuration Management -- \$2.2 million. This initiative will allow VBA to invest in an array of software tools collectively known as configuration management. This project will provide a centralized repository of applications and encourage re-use of developed components.
- 4) Operational Data Store -- \$3.7 million. The Operational Data Store will redesign the information environment to allow VBA managers to have better information about veterans through timely access to veteran data.

- 5) Procedures Manual Re-write -- \$2.5 million. VBA manuals are not written and organized in a manner that is easy to understand. This initiative will improve the accessability and readability of the procedural manuals used in decision making for the Education, Loan Guaranty, and Vocational Rehabilitation and Employment programs.
 - 6) Colocation/Relocation – The budget includes funds for collocation projects at Chicago, Milwaukee and Los Angeles, and relocation at Buffalo, Louisville, and Phoenix. A total of \$7.6 million is being requested for these projects.
 - 7) Enterprise Project Management (EPM) -- \$1.2 million. Under this initiative, VBA would develop an enterprise project, process and resource management software tool to manage priorities, progress and staffing. EPM would use time management and best practices in delivering projects.
- In addition, VBA will pursue other cross cutting program initiatives such as internet security and development. In total, VBA is requesting a total of \$33 million for VBA-wide initiatives.

National Cemetery Administration

- The National Cemetery Administration requests an appropriation of \$138 million and 1,519 FTE for 2003. This is an increase of \$17 million and 59 FTE over the 2002 current estimate level.
- The request includes an increase of \$1.3 million for additional contracting and equipment for the maintenance of increased gravesites and developed acreage, and also includes an additional \$1.3 million and 19 FTE to address the 2003 growth in interment workloads at existing cemeteries.
- Funding of \$4.8 million and 30 FTE are required for interment operations on fast-track parcels completed in new cemeteries at Ft. Sill, Oklahoma, and near Atlanta, Georgia, and to prepare for interment operations on fast-track parcels in new cemeteries in the vicinities of Miami, Florida, and Pittsburgh, Pennsylvania.
- The Memorial Programs Service (MPS) continues to experience workload growth associated with the increase in veterans' deaths. The growth in headstone and marker applications in 2003 will require an increase of \$109 thousand and two FTE.
- Interest in the State Cemetery Grants Program has increased dramatically since the Veterans Programs Enhancement Act of 1998 increased the Federal

government's share of establishing, expanding or improving a state veterans cemetery from 50 to 100 percent. This budget requests \$473 thousand and four FTE to assist the states in applying for grants; reviewing the increasing number of grant applications; helping train and assisting state personnel in using NCA's automated headstone and marker ordering system; and inspecting state cemeteries at least once every three years, as required by regulation, to ensure that they continue to provide service to the veteran.

- Additional funding in the amount of \$210 thousand is requested to fund increased data communications costs; \$145 thousand is requested for increases in GSA rental charges; and \$475 thousand and four FTE are needed to support information technology, business process, and cost management programs to improve management of cemetery operations.

Office of the Inspector General

- The 2003 request for the Office of Inspector General (OIG) contains total resources of slightly over \$61 million. The request includes direct budget authority of \$58.3 million and planned reimbursements of \$2.9 million, which supports estimated staffing levels of 402 and 24 positions, respectively. The request will assist the OIG in overseeing the quality of health care services rendered our veterans, identifying internal control vulnerabilities in benefit payment processes and detecting fraud through extensive review and analysis of VA databases and matching initiatives.

General Administration

- Budget authority of \$278 million and 2,795 FTE are requested to support the General Administration activity in 2003. This request is \$34.5 million above the enacted 2002 level of \$243.5 million. The budget authority, together with \$179.8 million in estimated reimbursements and \$5.5 million in transfers, will provide for an estimated total obligational authority of \$463.3 million in 2003. FTE increases by a net 22 in 2003 from the 2002 current estimate of 2,773, including reimbursable FTE. Highlights of the 2003 request are briefly summarized below.
- The Board of Contract Appeals (BCA) is requesting \$1.6 million and 11 FTE in total obligations for 2003. This funding level will ensure that BCA can continue to improve the timeliness of appeal decisions, increase the percentage of cases using Alternative Dispute Resolution (ADR), and promote the use of ADR throughout the Department for non-contractual matters, such as workplace disputes.

- The Board of Veterans' Appeals (BVA) is requesting \$51.2 million and 451 FTE in 2003. The requested level of funding will enable VA to continue to improve timeliness of claims processing. In 2002, the Board will begin developing cases in lieu of remanding them to the regional offices pursuant to regulatory changes. Although this may reduce the number of final decisions produced, it will improve timeliness of appeals processing, i.e., appeals resolution time, and better serve veterans. BVA and VBA have a joint performance indicator that is a system-wide measure of how long it takes to reach final resolution of veteran's claims. In 2003, it is projected that it will take an average of 520 days. The appeals resolution time for 2001 was 595 days.
- The Office of the General Counsel (OGC) is requesting \$67.1 million in total funding and an average employment of 687 (including 113 reimbursable FTE). This includes \$56.9 million in budget authority and \$10.2 million funded through reimbursements under the Medical Care Collections Fund, the Credit Reform statute, and other reimbursable authorities. This level of funding will enable OGC to continue to meet the increasing demand for legal services by the Administrations within VA, while managing to keep pace with its representational responsibilities at the Court of Appeals for Veterans Claims (CAVC).
- In 2003, The Office of Management (OM) requests budget authority of \$41.5 million (including \$9 million for a new Federal Employee Compensation Act administrative surcharge) and an average employment of 287 to support operations, excluding the Supply Fund and Enterprise Centers. The budget authority, together with \$72.8 million in reimbursable authority, as well as VBA's contribution of \$2.6 million for coreFLS, will provide for an estimated total obligation of \$116.9 million in 2003. OM will continue the coreFLS project to replace VA's existing core financial management and logistics systems and many of the legacy stovepipe systems interfacing with them with an integrated, commercial-off-the-shelf (COTS) package. The new coreFLS will help VA address and correct management and financial weaknesses in the areas of effective integration of financial transactions from VA systems, provide necessary financial support for credit reform initiatives, and improve automated analytical and reconciliation tools. OM will also fully implement the newly established Office of Asset Enterprise Management, which will provide oversight in the capital asset arena to ensure a consistent and cohesive Department approach to capital asset management. Several major initiatives will be required to establish an inventory of VA's current capital assets, develop a performance management system for newly acquired assets and oversee the Department's capital asset management/portfolio performance.
- The Office of Information and Technology (OI&T) is requesting \$72.4 million in total obligation authority and an average employment of 226 (including 34

reimbursable FTE for telecommunications). This includes \$27.8 million in budget authority and reimbursements of \$41.6 million. These resources will enable OI&T to continue to support information technology policy, plans and programs; the cyber security effort; the nationwide telecommunications network; VA's capital planning and asset management; and the VACO campus office automation platform and local area network. In addition, OI&T will develop a VA IT and Telecommunications Architecture that encompass a vision of how current and emerging technologies can be used to meet the Department's *One VA* world-class service goals and objectives. The Franchise Fund separately supports the Austin Automation Center.

- The Office of Human Resources and Administration (HR&A) is requesting \$106.8 million in total obligation authority and an average employment figure of 823 FTE. The requested budget authority is \$54.6 million. Included in this figure are requests for resources to continue several priorities including developing and implementing strategies to prevent discrimination complaints and developing a Departmental workforce succession planning and decision system. Additional resources to offset increased SLUC payments to GSA for VACO are also included. HR&A is requesting reimbursements of \$52.2 million. This request includes \$29 million and 279 FTE for ORM and \$19.6 million and 266 FTE for Shared Service Center operations.
- The Office of Policy & Planning (OP&P) is requesting \$16.0 million and 65 FTE to support its activities in 2003. With these resources, OP&P will continue to facilitate the Department's strategic planning process, provide actuarial and analytical support to VA program offices, conduct statutorily required program evaluations, coordinate corporate management improvement activities, and support development, analysis, and review of issues affecting veterans' programs.
- The Office of Public and Intergovernmental Affairs (PIA) is requesting \$10.5 million and 85 FTE for 2003. With this funding level, PIA will continue to communicate available Department benefits and programs to the Nation's veterans and their eligible dependents and survivors. The requested FTE level will allow personnel in Central Office and at various field offices to provide an array of public information and professional communications services to national and local media, State and local veterans service organizations and veterans at the grassroots level. The 2003 funding level also will enable PIA to maintain primary contact with Federal, State, and local government officials and oversee all VA programs and services to assist homeless veterans and veterans in need of social services.
- The Office of Congressional and Legislative Affairs (OCLA) is requesting 2003 resources of \$4.6 million and 42 FTE. These resources will enable OCLA to

maintain positive, cooperative relationships with Members of Congress and congressional committees and staff. The requested FTE level will allow OCLA to coordinate the development of the Department's annual legislative program; monitor the status of pending legislation affecting VA; provide Congress with accurate and timely responses to inquiries; serve as liaison with the General Accounting Office; track milestones and coordinate the submission for all congressionally-mandated reports; and review and facilitate all responses to congressional mail and inquiries. The Office will also continue to serve as the Department's liaison for Members of Congress and their staffs on policy and constituent casework.

- The Office of Operations, Security and Preparedness (OS&P) is requesting obligational authority of \$7.4 million and 50 FTE in 2003. OS&P is designed to enable the Department and its three administrations to operate more effectively and safely in this new, uncertain environment. Additionally, this office will play a key role in continuity of operations in the event of an emergency situation and is formed with the specific intent of improving and increasing VA's ability to respond to any contingency (whether natural disaster or terrorist assault) with minimal disruption to ongoing services to veterans and their families. OS&P will also play the leading role in ensuring enforcement of the law and overseeing the protection of employees and veterans using VA facilities while ensuring the physical security of VA's infrastructure; and evaluating preparedness programs and developing Departmentwide training programs and exercises that enhance VA's readiness.

Office of Acquisition and Materiel Management (Supply Fund)

- During this past year, OA&MM has continued to develop and expand crosscutting programs that affect Other Government Agencies (OGAs). These programs include partnering with DoD for the acquisition of pharmaceuticals and the Department of the Army's Medical Command and the Department of the Air Force's Medical Logistics Office to provide acquisition support. OA&MM is hosting regional "summits" as an opportunity for VA and OGAs to discuss acquisition and logistics topics to find ways to leverage strengths. Summits will help each of the participating agencies become more efficient and cost effective. In addition, OA&MM has co-hosted the Federal Healthcare Acquisition Conference with DoD TRICARE and the National Contract Management Association. Representatives from all Federal health care agencies attended this conference. Increased interdepartmental dialogue brings attention to the potential for savings from specialization in procurement activities, as well as from volume-leveraged contracting.

- OA&MM is using best business practices technology to develop a VA Electronic Commerce (EC) acquisition program to automate all Departmental procurement processing activities. EC systems provide the capability to electronically request and receive vendor/supplier quotations, purchase orders, confirmations, invoices, and finally, to electronically remit payments.

Franchise Fund (Enterprise Centers)

- The Franchise Fund completed its fifth year of operations on September 30, 2001. The six lines of business (Enterprise Centers) are proving to be very successful. Sales have dramatically increased since our initial year of operations in 1997, i.e., from \$59 million to \$140 million. The Fund's financial statements for the years 1998 through 2000 were audited by a private sector CPA firm. These audits all resulted in an unqualified (clean) opinion.
- The VA Enterprise Centers provide common administrative services to VA and other Government agencies under the authority of the Government Management Reform Act (GMRA) of 1994. The addition of a “next generation” product line and increased demand for quality and cost effective services from current Enterprise Centers is driving the obligation increase in 2003. The anticipated obligations reflect these changes and the significant growth of the existing Enterprise Centers' activities. The Enterprise Centers use operating reserves and capital reserves to fund internal technology replacement and capacity growth. Operating reserves are derived from revenues by attaching an additional charge onto products. On the other hand, capital reserves will arise from depreciation charges to customers.
- This budget extends through September 30, 2003, the authority under Public Law 103-356, the GMRA of 1994, for Franchise Fund pilots in agencies including VA.

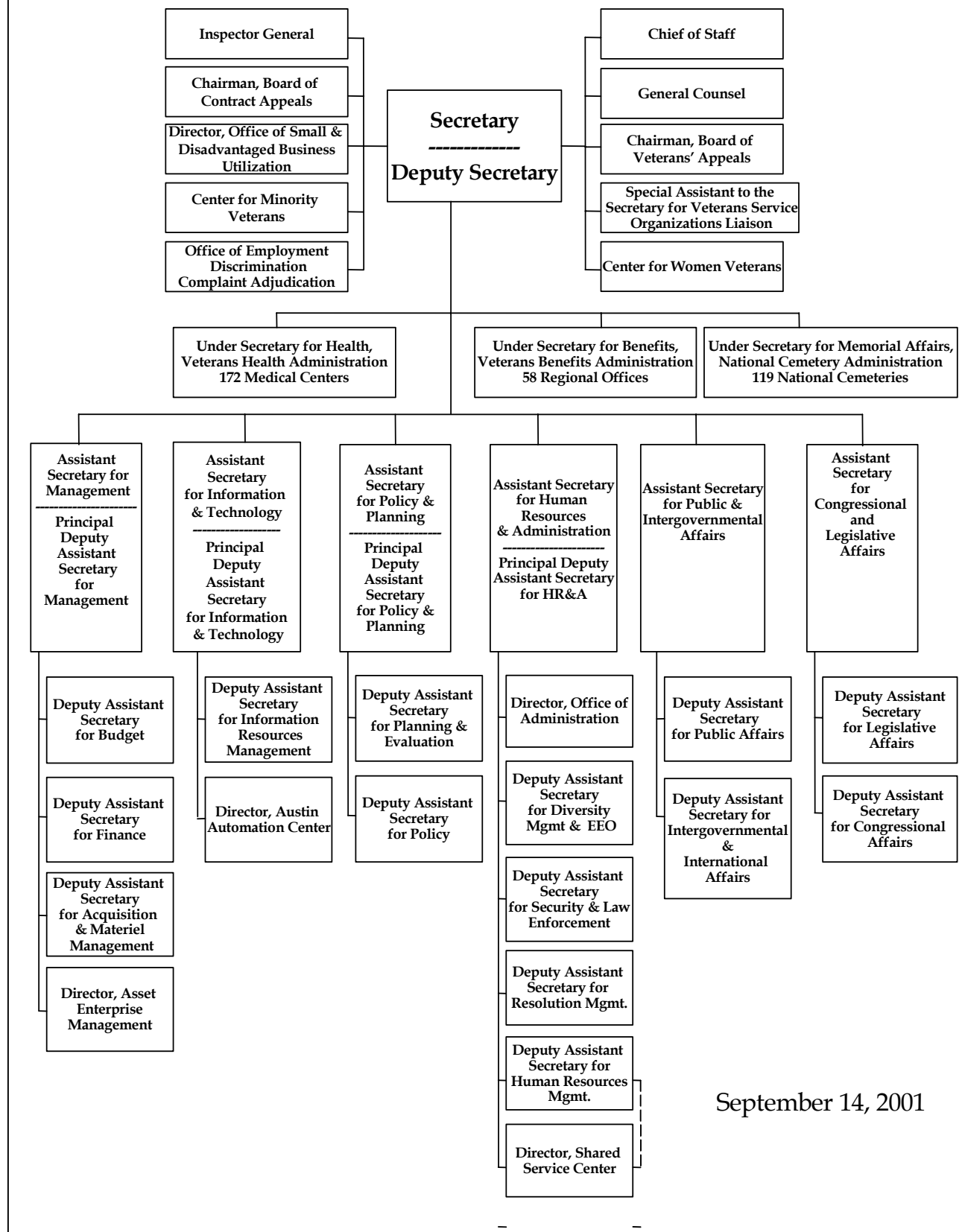
Construction Programs

- New budget authority totaling \$193.7 million is requested for the major construction program. The major construction request includes funding for four seismic projects, two in Palo Alto, one in San Francisco, and one in West Los Angeles, California. Funds are also requested for new cemeteries in the vicinity of Pittsburgh, PA and Miami, FL, and a columbaria and cemetery improvements project at the Willamette National Cemetery. The 2003 major construction request also includes \$3.4 million for design funds for new cemeteries in Detroit and Sacramento. Additional funds are provided to remove hazardous waste and asbestos from Department-owned buildings,

perform an emergency response security study, reimburse the judgment fund, and to support other construction related activities.

- New budget authority totaling \$210.7 million is requested for the minor construction program. The request will be used to make improvements to ambulatory care settings, patient environment, and VA's aging infrastructure. Funds are also requested for nursing home care, clinical improvements, correction of code deficiencies in existing facilities, and the elimination of fire and safety deficiencies. Of the request, \$35 million is dedicated to implementing CARES- related minor construction needs. Funds requested in the minor construction budget will also support VBA and staff office construction requirements and gravesite development and improvements to the existing national cemetery infrastructure. In addition, minor construction funds may be used to make capital contribution payments for enhanced-use lease projects. The authority to use minor construction funds for enhanced-use leases was provided by the Veterans Millennium Health Care and Benefits Act.
- New budget authority of \$32 million is requested for Grants for the Construction of State Veterans Cemeteries, and \$100 million is requested for the Grants for the Construction of State Extended Care program.

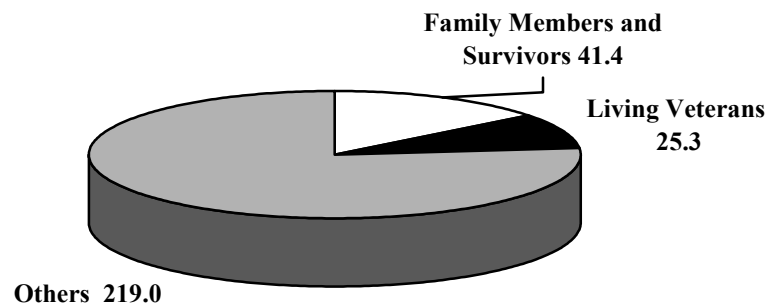
Department of Veterans Affairs



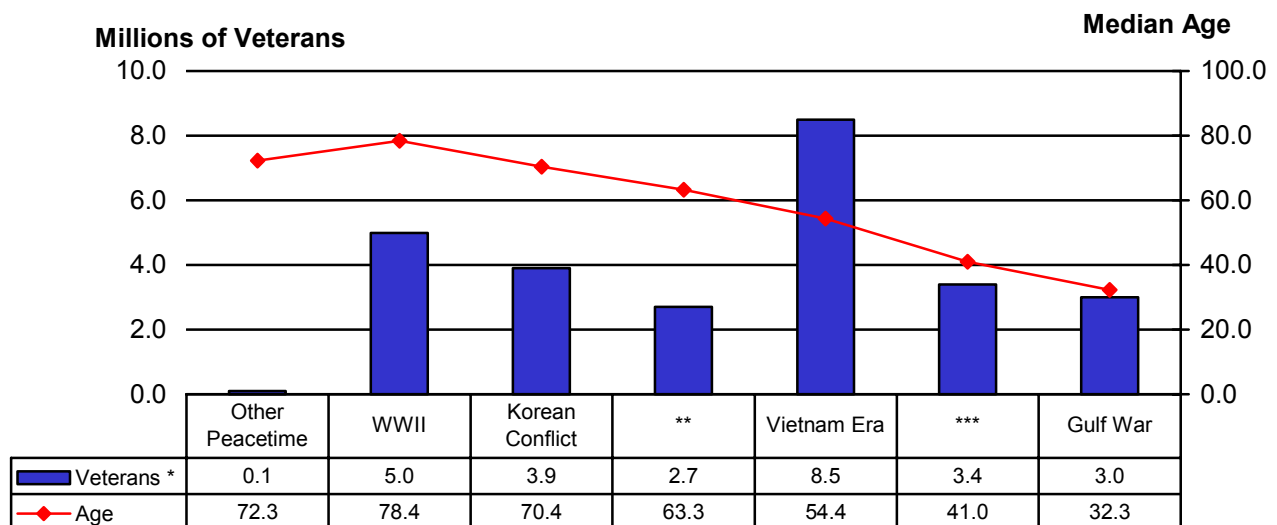
Veterans Population

On September 30, 2001, there were nearly 25.3 million living veterans, and approximately 41.4 million family members of living veterans and survivors of deceased veterans (based on current data and recently revised methodology.) Thus, approximately 66.7 million, or 23.3 percent of the total resident U.S. and Puerto Rico population of 285.7 million, were potential recipients of veterans benefits provided by the Federal Government.

Estimated Population (in millions) of Living Veterans, Family Members and Survivors of Veterans, and Others



Estimated Number and Median Age of Veterans by Period of Service



* Veterans are included in all wartime periods in which they served.

** Between Korean Conflict and Vietnam Era. *** Between Vietnam Era and Gulf War Only

Source: VetPop2001: Estimate and Projection of the Veteran Population, 1990-2030.

In compliance with provisions of the Veterans' Judicial Review Act, P. L. 100-687, Section 1404.

<i>Estimates of Combat Theatre Obligations from the National Survey of Veterans</i> (dollars in millions)			
Appropriations	FY 2001 Obligations	Estimate of Combat Theatre Veterans *	Estimated Obligation on Combat Theatre Veterans
Employment Services			
HIRE/CETA	(a)	N/A	
EJTP/VJTP	(a)	N/A	
Compensation	\$16,529	55%	\$9,091
Dependent and Indemnity Compensation	3,651	N/A	
Pension			
Veterans	2,317	29%	672
Survivors	685	N/A	
Inpatient Facilities (b)	9,812	45%	4,415
Outpatient Care (b)	10,222	45%	4,600
Miscellaneous Medical Service (b)	1,122	45%	505
Readjustment Counseling (b)	73	34%	25
Veterans Insurance and Indemnities	26	N/A	
Specially Adapted Housing	20	N/A	
Burial Benefits	115	39%	45 (d)
Educational Assistance			
Montgomery G.I. Bill ^{1/}	1,124	25%	281
VEAP	13	38%	5
Education Loans	0	38%	0
Work-study	32	37%	12
Vocational Rehabilitation	426	47%	206
Survivors' and Dependents' Educational Assistance	176	N/A	
Home Loan Guaranty			
Obligations (Liquidating)	184	31%	57
Subsidy Cost	336	N/A	(c)
Administrative Costs	162	N/A	
Automobiles and Adaptive Equipment	33	N/A	

NA = Not Available from the National Survey of Veterans (NSV)

* Based on 1992-1993 NSV. Newer survey data will not be available until October 2002.

(a) Estimates of participation levels for these employment services are not available from NSV. The responsibility for these programs rests with the Department of Labor and are, for that reason, not part of this analysis.

(b) This estimate is based on total cost for this program since health care costs are not kept on a per episode basis.

(c) Under the Credit Reform Act of 1990, subsidy cost is a system of measuring the cost to the Government of making and guaranteeing loans. Subsidies are based on the net present value over the life (30 years) of a cohort year of loans and exclude administrative expenses.

(d) Due to the nature of this program, this is an estimate of the combat theatre participants who plan to use burial benefits.

¹ Total Obligations for the Montgomery G.I. Bill. The Vietnam-Era veterans program (Old G.I. Bill) expired on December 31, 1989.

Appropriation Structure

The Department of Veterans Affairs' programs are funded through 21 appropriations (including six revolving funds that have appropriation funding), 10 revolving funds that do not have appropriation funding, two intragovernmental funds, two special funds, and six trust funds. These appropriations and funds are listed below with a brief description of the scope of the account:

Appropriations

COMPENSATION AND PENSIONS: Provides for compensation payments to service-connected disabled veterans and their survivors; provides for pension payments, subject to an income standard, to war-time veterans who are permanently and totally disabled from non-service-connected causes and their survivors; and provides burial and other benefits to veterans and their survivors.

READJUSTMENT BENEFITS: Provides payments for education and training, for eligible veterans and dependents, as well as special assistance to disabled veterans. Funding provided for this program consists of direct appropriations to this VA account, as well as offsetting collections received primarily from the Department of Defense.

REINSTATED ENTITLEMENT PROGRAM FOR SURVIVORS: Restores benefits to certain surviving spouses or children of veterans who died of service-connected causes which occurred before August 13, 1981. Financing is provided in the form of offsetting collections from the Department of Defense.

VETERANS INSURANCE AND INDEMNITIES: Provides payment for extra hazard costs to the National Service Life Insurance and United States Government Life Insurance funds, supplements the Service-Disabled Veterans Insurance Fund, and provides direct payment to policyholders. It also provides funds for expenses of the Veterans Mortgage Life Insurance Program.

MEDICAL CARE: Provides for comprehensive and integrated health care system supporting health care to eligible veterans; a national academic education and training program to enhance the quality of care provided to veterans; and administrative support of capital facilities. This is an annual, multi-year, and no-year appropriation.

MEDICAL AND PROSTHETIC RESEARCH: Supports research that facilitates and improves the primary function of VHA, which is to provide high-quality and cost-effective medical care to eligible veterans and contribute to the Nation's knowledge

about disease and disability. This is a multi-year appropriation and no-year appropriation.

MEDICAL ADMINISTRATION AND MISCELLANEOUS OPERATING EXPENSES: Provides the corporate leadership and support to VA's comprehensive and integrated health care system by a headquarters staff, including the capital facilities management and development process. Specific activities include the development and implementation of policies, plans, and broad program activities; assistance for the networks in attaining their objectives; necessary follow-up action to ensure complete accomplishment of goals; and facility management and development functions. This is an annual appropriation.

CONSTRUCTION, MAJOR PROJECTS: For constructing, altering, extending, and improving any VA facility, including planning, assessments of needs, architectural and engineering services, and site acquisition, where the estimated cost of a project is \$4 million or more or where funds for a project were made available in a previous major project appropriation.

CONSTRUCTION, MINOR PROJECTS: For constructing, altering, extending and improving any VA facility, including planning, architectural and engineering services, and site acquisition, where the estimated cost of a project is less than \$4 million. VA medical center projects with a minor improvements component costing \$500,000 or more are funded from this appropriation.

GRANTS FOR CONSTRUCTION OF STATE EXTENDED CARE FACILITIES: Approved on August 19, 1964, and authorized as an appropriation in 1965. Grants to States to acquire or construct State nursing home and domiciliary facilities and to remodel, modify, or alter existing hospitals, nursing homes, and domiciliary facilities in State homes. A grant may not exceed 65 percent of the total cost of the project. Public Law 102-585 granted permanent authority for this program. Public Law 104-262 added Adult Day Health Care and another level of care that may be provided by State homes.

GRANTS TO THE REPUBLIC OF THE PHILIPPINES: This program previously provided for the continued effective care and treatment of U.S. veterans in the Veterans Memorial Medical Center (VMMC). However, with the suspension of the U.S. veteran admission to the VMMC, the continuing appropriation of U.S. funds to maintain and upgrade the physical plant at this facility was discontinued. The activity in this account has been merged with the Pershing Hall Revolving Fund in the President's Budget.

GRANTS FOR THE CONSTRUCTION OF STATE VETERANS CEMETERIES: Grants to aid States in establishing, expanding or improving State veterans'

cemeteries. A grant can be up to 100 percent of the total value of the land and the cost of improvement. Federal funding for the cost of initial equipment when the cemetery is established is also permitted. The States remain responsible for providing the land and paying for all costs related to the operation and maintenance of the state cemeteries, including the cost for subsequent equipment purchases.

GENERAL OPERATING EXPENSES: For the administration of all VA non-medical benefits and support functions for the entire Department. Includes the Veterans Benefits Administration and the General Administration activities. While the program accounts associated with credit reform receive an appropriation directly for associated administrative expenses, total obligations from those appropriations are reflected under the General operating expenses account, with financing provided as offsetting collections.

NATIONAL CEMETERY ADMINISTRATION: This appropriation provides funding for the administration of all functions associated with the National Cemetery Administration. Provides, upon request, for the interment in any national cemetery with available grave space the remains of eligible deceased service persons and discharged veterans (together with their spouses and certain dependents). To facilitate account restructuring and consolidation, this account reflects budget information for the National Cemetery Gift Fund in the President's budget.

OFFICE OF THE INSPECTOR GENERAL: Responsible for the audit, investigation, and inspection of all Department of Veterans Affairs programs and operations.

Special Funds

MEDICAL CARE COLLECTIONS FUND: Public Law 105-33, the Balanced Budget Act of 1997, established the Department of Veterans Affairs Medical Care Collections Fund (MCCF) and terminated the Medical Care Cost Recovery Fund (MCCR). It required that amounts collected or recovered after June 30, 1997, be deposited in the MCCF. The amounts collected in the fund are available only for: 1) VA medical care and services during any fiscal year; and 2) VA expenses for identifying, billing, auditing and collecting amounts owed the government. Public Law 105-33 also extended to September 30, 2002, the following OBRA provisions: 1) authority to recover co-payments for outpatient medication and nursing home and hospital care; 2) authority for certain income verifications; and 3) authority to recover third party insurance payments from service-connected veterans for non-service-connected conditions.

HEALTH SERVICES IMPROVEMENT FUND: Public Law 106-117, the Veterans Millennium Health Care and Benefits Act, authorized the Secretary to increase the \$2 medication co-payment, establish a maximum annual and monthly payment applicable to veterans with multiple outpatient prescriptions, and revise co-payments in outpatient care for “higher-income” veterans, authorizes VHA to receive reimbursement from DoD for certain military retirees using the VA system covered by TRICARE and expands VA’s enhanced-use lease authority. Receipts and collections under the new authority will be deposited in the Health Services Improvement Fund. VA will increase pharmaceutical co-pays to \$7 in 2002.

Revolving Funds

VETERANS HOUSING BENEFIT PROGRAM FUND: The consolidated, single housing fund called the Veterans Housing Benefit Program Fund (VHBPF) reflects all information formerly in the Loan Guaranty, Guaranty and Indemnity, and Direct Loan housing programs. Effective October 1, 1998, all appropriations and income formerly received from these accounts are deposited in this new fund. No program changes resulted as an effect of this presentation. All loans guaranteed prior to September 30, 1991, are scored in the VHBPF Liquidating Account. Under the Federal Credit Reform Act of 1990, all loans guaranteed after September 30, 1991, are financed by subsidy appropriations to the VHBPF Program Account. This account also receives an appropriation for administrative expenses. The principal objective of the loan guaranty program is to encourage and facilitate the extension of favorable credit terms by private lenders to veterans for the purchase, construction, or improvement of homes to be occupied by veterans and their families.

GUARANTEED TRANSITIONAL HOUSING LOANS FOR HOMELESS VETERANS PROGRAM: This program was established in the Veterans Benefits Improvement Act of 1998, Public Law 105-368. The program is a pilot project designed to expand the supply of transitional housing for homeless veterans by authorizing the Secretary to guarantee loans for self-sustaining housing projects specifically designed to create long-term transitional housing for homeless veterans. VA may guarantee up to 15 loans with a maximum aggregate value of \$100 million. Not more than five loans may be guaranteed in the first three years of the program. The project must enforce sobriety standards and provide a wide range of supportive services such as counseling for substance abuse and job readiness skills. Residents will be required to pay a reasonable fee. All funds authorized for this program were appropriated by the end of 2000; therefore, no appropriation language has been included in this budget. The guarantee loan financing activity of this account is shown under the “Miscellaneous Veterans

Housing Programs Loans, Program, and Direct Loan Financing Account” in the President’s budget.

NATIVE AMERICAN VETERANS HOUSING PROGRAM: This program was designed to test the feasibility of enabling VA to make direct home loans to Native American Veterans who live on U.S. trust lands. Annual appropriations are received for administrative expenses associated with this program. Subsidy budget authority was enacted in 1993, initially available through September 30, 1997. Authority to continue this program was extended through December 31, 2001, pursuant to Public Law 105-114, Veterans Benefits Act of 1997. The direct loan financing activity of this account is shown under the “Miscellaneous Veterans Housing Programs Loans, Program, and Direct Loan Financing Account” in the President’s budget.

SERVICE-DISABLED VETERANS INSURANCE FUND: This program finances claim payments on non-participating policies issued to service-disabled veterans who served in the Armed Forces after April 25, 1951. The program provides insurance coverage for service-disabled veterans at standard rates. Claim payments exceed premium receipts each year. Funds are derived mainly from premiums and payments from the Veterans Insurance and Indemnities appropriation. Public Law 106-419 allowed for term premiums to be frozen, effective November 1, 2000, at the first renewal after the insured reaches age 70 and remain frozen thereafter.

VETERANS REOPENED INSURANCE FUND: Established in 1965 as the financing mechanism for a program authorizing reopening of National Service Life Insurance for one year, for certain disabled veterans of World War II and the Korean conflict. Operations are financed from premiums collected from policyholders and interest on investments.

EDUCATION LOAN FUND: Provides education loans of up to \$2,500 a school year for certain dependents who are without sufficient funds to meet their expenses. Under the Federal Credit Reform Act of 1990, this fund now receives a direct appropriation for its administrative expenses, which it reimburses directly to the General operating expenses appropriation. Subsidy budget authority is provided for costs associated with loans obligated in 1992 and beyond. The program and direct loan financing activities of this account have been shown under the “Miscellaneous Veterans Programs Loan Fund” and the “Miscellaneous Veterans Programs Loan Fund Direct Loan Financing Account”, respectively, in the President’s budget.

VOCATIONAL REHABILITATION REVOLVING FUND: Loans (advances) of up to \$896.00 will be made in 2002 to disabled veterans eligible for vocational

rehabilitation who are without sufficient funds to meet their expenses. Under the Federal Credit Reform Act of 1990, this fund now receives a direct appropriation for its administrative expenses, which it reimburses directly to the General operating expenses appropriation. Subsidy budget authority is provided for costs associated with loans obligated in 1992 and beyond. To facilitate account restructuring and consolidation, the program and direct loan financing accounts also have been shown under the "Miscellaneous Veterans Programs Loan Fund" and the "Miscellaneous Veterans Programs Loan Fund Direct Loan Financing Account", respectively, in the President's budget.

SERVICEMEMBER'S GROUP LIFE INSURANCE FUND: Established in 1965 as the financing mechanism to provide Group Life Insurance to members of the uniformed forces on active duty and certain members of the Reserves. Premiums, including the cost of administration, are deducted monthly from the serviceperson's pay and remitted by each uniformed service to VA and, in turn, to the primary insurer. The Government contributes toward the military extra hazard cost by paying for all death claims over a certain maximum as defined by law. Public Law 106-419 increased the maximum amount of coverage available to \$250,000, effective April 1, 2001.

SPECIAL THERAPEUTIC AND REHABILITATION ACTIVITIES FUND: This revolving fund, established pursuant to the Veterans Omnibus Health Care Act of 1976, Public Law 94-581, approved October 21, 1976, provides a mechanism for furnishing rehabilitative services to certain veteran beneficiaries receiving medical care and treatment from VA. Funds to operate the various rehabilitative activities and provide therapeutic work for remuneration of patients and members in VA facilities are derived from contractual arrangements with private industry, non-profit organizations, and State and Federal entities. This is a self-sustaining fund that does not require an appropriation.

EXTENDED CARE REVOLVING FUND: This revolving fund was established by Public Law 106-117, the Veterans Millennium Health Care and Benefits Act. This fund receives per diems and co-payments from certain patients receiving extended care services as authorized in title 38, U.S.C., § 1701B. Amounts deposited in the fund are used to provide extended care services.

MEDICAL FACILITIES REVOLVING FUND: This fund provides for operating expenses of VA medical facilities furnishing nursing home care to certain veterans who receive pensions. Title 38, U.S.C., provides that a veteran with no spouse or child will receive \$90 per month in pension beginning the third full month following the month of admission to VA furnished nursing home care. The difference between the \$90 the veteran receives and the amount otherwise authorized is transferred to this fund to cover the expenses of the facility

furnishing the nursing home care. Public Law 105-368, Veterans Programs Enhancement Act of 1998, has granted permanent authority for the transfer of pension funds in excess of \$90 per month from the Compensation and Pensions account, in accordance with the provisions of title 38, U.S.C. § 5503(a)(1)(B). This authority will be retroactive as of October 1, 1997.

MEDICAL CENTER RESEARCH ORGANIZATIONS: Authorized in 1988 to provide a mechanism whereby non-VA funds may be received and administered to perform research by a nonprofit corporation at any VA medical center.

CANTEEN SERVICE REVOLVING FUND: This fund finances the operation of canteens at all medical facilities. These activities are under the management of the Veterans Canteen Service, established by Congress in 1946. Income from sales makes this a self-sustaining activity.

PARKING REVOLVING FUND: Provides for constructing, altering, and acquiring (including site and lease acquisition) of parking spaces and structures in order to accommodate the vehicles of employees of medical facilities, vehicles used to transport veterans and eligible persons to or from such facilities for examination or treatment, and the vehicles of visitors and other individuals having business at such facilities. Revenue is derived from parking fees.

NURSING HOME REVOLVING FUND: Provides for construction, alteration, and acquisition (including site acquisition) of nursing home facilities and may be used only as provided for in Appropriation Acts. Receipts to this revolving fund shall be realized from the transfer of any interest in real property that is owned by the United States and administered by VA and that has an estimated value in excess of \$50,000. Amounts realized from a transfer pursuant to title 38, § 8122(a)(2)(C) shall be administered as a revolving fund and shall be available without fiscal year limitation. The activity in this account has been merged with the Pershing Hall Revolving Fund in the President's budget.

PERSHING HALL REVOLVING FUND: Established by Public Law 102-86 for the operation and maintenance of Pershing Hall, an asset of the United States located in Paris, France. Receipts generated by the operation of Pershing Hall are also deposited in the revolving fund. To facilitate account restructuring and consolidation, this account reflects budget information for the Nursing Home Revolving Fund and the Grants for the Republic of the Philippines in the President's budget.

Intragovernmental Funds

SUPPLY REVOLVING FUND: Established in 1953, the Supply Fund is responsible for the operation and maintenance of a supply system for VA. Functioning as an intragovernmental fund, without fiscal year limitation, it seeks to assure the most timely, cost-effective acquisition of goods and services for VA programs. As a self-sustaining fund, the majority of its operating expenses are recovered through a mark-up on goods sold.

FRANCHISE FUND: VA was chosen as a pilot Franchise Fund agency under Public Law 103-356, the Government Management Reform Act of 1994. The pilot commenced in 1997, funded under VA's General operating expenses appropriation. VA's Franchise Fund is a revolving fund used to supply common administrative services on the basis of services supplied.

Trust Funds

POST-VIETNAM ERA VETERANS EDUCATION ACCOUNT: Funding for this account consists of voluntary contributions by eligible servicepersons and Department of Defense matching contributions on behalf of specific servicepersons. The account serves as a depository and disbursing account for the contributory-matching education program which provides educational assistance payments to participants who entered the service between January 1, 1977 and June 30, 1985, and are pursuing training under chapter 32 (38 U. S. C.). Public Law 99-576, enacted October 28, 1986, permanently closed the program to new enrollees after March 31, 1987. However, the enactment of Public Law 101-510, allows servicepersons enrolled or eligible to enroll in the program, who are involuntarily separated from the service on or after February 3, 1991, an opportunity to receive assistance under the Montgomery GI Bill (MGIB) program in lieu of Post-Vietnam Era Veterans Education Program (VEAP). Public Law 102-484 extended the same opportunity to certain servicepersons who voluntarily separated from the military on or after December 5, 1991. An opportunity to enroll in the MGIB program also was extended to Chapter 32 (and section 903) servicepersons, who were VEAP participants on October 9, 1996, under Public Law 104-275.

NATIONAL SERVICE LIFE INSURANCE FUND: Started in 1940 as the financing mechanism for World War II insurance. Closed to new issues in 1951. Income is derived from premiums, interest on investments, and transfers from Veterans Insurance and Indemnities appropriation.

UNITED STATES GOVERNMENT LIFE INSURANCE FUND: Started in 1919 as the financing mechanism for converted insurance issued under the War Risk Insurance Act of 1914, as amended. Closed to new issues April 1951. Income is

derived from interest on investments and transfers from Veterans Insurance and Indemnities appropriation.

VETERANS SPECIAL LIFE INSURANCE FUND: Finances the payment of claims for the insurance program authorized for insurable veterans who served after April 1951 and before January 1, 1957. Income is derived mainly from premiums and interest on investments.

GENERAL POST FUND: This trust fund consists of gifts, bequests, and proceeds from the sale of property left in the care of VA facilities by former beneficiaries or the general public, patients' fund balances and proceeds from the sale of effects of beneficiaries who die leaving no heirs or without having otherwise disposed of their estates. Such funds are used to promote the comfort and welfare of veterans in hospitals and homes where no general appropriation is available for this purpose. In addition, donations from pharmaceutical companies, non-profit corporations, and individuals to support VA medical research are deposited in this fund.

NATIONAL CEMETERY GIFT FUND: Consists of gifts and bequests which are made for the purpose of beautifying national cemeteries or are made for the purpose of the operation, maintenance, or improvement of the National Memorial Cemetery of Arizona. The activity in this account has been merged with the National Cemetery Administration in the President's budget.